

**CITY OF SAN ANTONIO
INTERDEPARTMENTAL MEMORANDUM
ALAMODOME DEPARTMENT**

TO: Mayor and City Council
FROM: Michael Abington, Director, Alamodome
SUBJECT: Major League Soccer Memorandum of Understanding
DATE: April 14, 2005

SUMMARY AND RECOMMENDATION

A resolution supporting a Memorandum of Understanding between the City of San Antonio and Major League Soccer for the potential relocation or expansion of a Major League Soccer team to San Antonio in 2006 which sets forth the primary business points for a lease for the use of the Alamodome and conditions for the placement of an MLS team in the City.

Staff recommends approval.

BACKGROUND

The installation of the Sportfield Turf System in the Alamodome opened up avenues for professional soccer in the facility that previously were not available. Staff actively marketed the Alamodome to professional and national soccer teams as well as the MLS in the pursuit of possible World Cup Qualifying matches or team matches. Staff particularly focused on the possibility of Mexican Division I Soccer Teams playing in the Alamodome as these teams have such a wide fan base in San Antonio.

The Mayor and Alamodome staff made several trips to Mexico to meet with various team owners and were successful when the Alamodome secured a World Cup Qualifying Match between Mexico and Dominica in June of 2004. Teaming with Traffic Sports, Inc. and implementing a marketing plan that covered northern Mexico as well as the San Antonio/Austin area, the match successfully drew over 37,000 fans.

The success of the first-ever soccer match in the Alamodome drew the attention of MLS and its' associate, Soccer United Marketing (SUM). The Alamodome and SUM co-produced a November 2004 match between Mexico and Guatemala. This match fell on a Wednesday and drew 22,000 fans.

MLS and SUM, impressed with soccer's ability to draw such a large fan base in San Antonio, produced the Interliga Soccer Tournament in January 2005 with two matches, Club America vs. Jaguares and Toluca vs. Necaxa.

These soccer initiatives have placed San Antonio among a small group of major U.S. cities known for success in professional soccer.

In November 2004, the City of San Antonio began discussions with three (3) owner groups. Discussions ranged from team expansion, team relocation, building a soccer specific stadium and mixed-use development on the Alamodome site.

MLS had expressed serious interest to relocate or expand the team to San Antonio. Discussions between MLS and the City concentrated on the team playing full-time in the Alamodome, beginning in 2006.

Since December numerous discussions have been held with MLS in order to develop a Memorandum of Understanding setting forth a relationship between the City of San Antonio and an MLS soccer team either relocated or an expansion team.

POLICY ANALYSIS

In accordance with City policy to maximize the utilization of City facilities, staff has negotiated a Memorandum of Understanding with Major League Soccer for the relocation or expansion of an MLS team to San Antonio to play its games in the Alamodome beginning in 2006.

Pending the negotiation and execution of a formal contractual agreement, MLS' commitment to locate an MLS team in San Antonio is conditioned upon the primary business terms outlined in the Memorandum of Understanding. This MOU may not cover all elements of a contractual agreement, and may be amended during the course of contract negotiations.

The primary conditions of the MOU include:

1. The successful completion by the City of an approximate 100-day season ticket campaign, with deposits, for a minimum of 5,000 season tickets. The cost of the campaign is expected to be approximately \$100,000. MLS has committed to fund 25% of the cost up to \$25,000. The season ticket campaign is more fully described in attachment A of this briefing memo.
2. City to provide a quality practice facility at another area with locker rooms, conditioning facilities, administrative offices and two dedicated high-quality fields for the team.
3. City to provide a finish out of the existing "drapery system" in the upper deck of the Alamodome, which will complete the south end in the same fashion as the existing draping.
4. City to provide finish out of existing unfinished office space for the team on the east side of the Alamodome. This finish out would include basic utilities, walls, lighting and painting. The office space will be provided to MLS rent-free however MLS will reimburse the Alamodome the cost of utilities and telecommunication services.
5. City to provide the build out and finish-out of 14 additional suites on the two sidelines, bringing the total to 52. In addition, the City would use all best efforts to complete the club level area in the south end zone with a configuration of "party suites".
6. City to provide the Alamodome rent-free. MLS will pay all event related expenses.
7. MLS would retain all revenue from ticket sales and temporary field signage and would receive all net revenue from the parking, merchandise, novelties and concessions for their events at the Alamodome.

8. MLS would project to play approximately 20 home games per year, which would include: 16 regular season games - with at least 14 dates occurring on weekends and at least 13 on Saturdays. 2 Potential Playoff Games and "Special Event" games. All best efforts would be made by the Alamodome to provide the sixteen (16) dates as reasonably balanced as possible throughout the MLS regular season.
9. All other available dates will be regarded as joint venture or Partnership Dates. Utilizing their respective and combined staff resources, MLS and the Alamodome will work together to coordinate the booking, negotiating, marketing and execution of events occurring on these dates and share, on an equal basis, the net revenues derived therefrom. These events may include, but not be limited to, any and all other soccer matches or events, whether international, domestic, professional or amateur, concerts and entertainment events. MLS and Alamodome will, by mutual agreement, develop an appropriate and productive operating format for the partnership.
10. The Alamodome will retain its existing schedule of events, which may be amended from time to time, and retain all net revenues derived therefrom. Alamodome Events shall also include the following: (1) conventions, whether currently scheduled or contracted at any time during the term of the agreement or any extensions (which convention scheduling will include all best efforts by Alamodome to provide a balanced MLS schedule); (2) any events associated with the Olympics, whether currently scheduled or contracted at anytime during the term of the agreement or any extensions; and (3) any collegiate events including NCAA, conference or exhibition events, whether currently scheduled or contracted at any time during the term of the agreement or any extensions.
11. City will purchase a turf cover system to cover the artificial turf when needed. It is anticipated that this turf cover system will substantially increase the number of potential available dates for scheduling a full variety of extra Alamodome event dates.
12. For MLS events, the MLS would be provided the opportunity to exclusively market the Alamodome Suites, Club Level and Party Areas. MLS would retain all revenue generated from their soccer events and Alamodome would retain all revenue from its events.
13. MLS will assume the exclusive sales position for all permanent interior and exterior Alamodome signage. The Alamodome will retain all revenues derived from its existing signage until such time as those agreements, plus any existing extensions, have expired. Thereafter, MLS will pay to the Alamodome an annual amount equal to the revenues derived from existing Alamodome signage at the time of execution of a formal contractual agreement, plus 5% of the net revenues derived from sales of Alamodome signage.
14. MLS will assume the exclusive rights to market the Naming Rights for the Alamodome and practice facility. If a name sponsor is identified prior to December 31, 2006 MLS will pay to the Alamodome 30% of net revenues. If a name sponsor is identified after December 31, 2006, MLS will pay to the Alamodome 20% of net revenues. Any name associated with the "Alamodome" will be subject to San Antonio City Council approval, and will include in said name the term "Alamodome".
15. The initial term of the lease will be five (5) years, with four (4) additional five-year extensions. The first extension shall be at the option of MLS and shall be on the same

terms as the initial five- year period. The terms of any future five-year extensions shall be as agreed between the City and MLS, which terms shall be negotiated to a mutual agreement in the period of the 7th to 8th year, the 12th to 13th year and the 17th to 18th year of the overall lease (i.e., culminating in each time frame at least two (2) years in advance of the next renewal option).

In the event the MLS were for any reason to withdraw from the lease during the first five-year period it will reimburse the Alamodome for a proportionate part of the expenditures made by the Alamodome on the Office Space (i.e., 20% reimbursement if one year remains, etc.)

16. All maintenance and repairs for the Alamodome shall be the obligation of the City. No Ticket Access Fees will be charged to MLS for MLS events.
17. MLS shall retain 100% of any broadcast rights to all MLS and MLS games. Broadcast revenues for partnership events will be shared equally per the Partnership agreement.
18. The MOU is further conditioned upon issues involving MLS team ownership, which is more fully described in attachment B of this briefing memo.
19. In the event the City elects at some future time to develop all or a portion of its land adjacent to the Alamodome the MLS would have a first option to be the developer on a right of first refusal basis. The development rights could include, by example, a favorable long-term ground lease, tax abatements, assistance in building adjoining structure parking for the benefit of the City, Alamodome and MLS.

FINANCIAL IMPACT

MLS will receive 20 rent-free days per year and retain all revenue from ticket sales, suites and temporary field signage, and would receive all net revenue from the parking, merchandise, novelties and concessions for these events, and will pay no Access Fees to the Alamodome.

Although the Alamodome will realize no revenue from these MLS games, there are potential revenues to be earned from its 5% share of MLS advertising sales and its 20% or 30% share of Alamodome naming rights revenue, and the incremental events generated by the Alamodome/MLS partnership.

In addition to the 20 MLS games and the existing Alamodome schedule, all other open dates remaining on the Alamodome calendar will be regarded as partnership dates between MLS and the Alamodome. Although the schedule will vary from year to year, there will be approximately 100 dates available for booking by the partnership.

Historically the various Alamodome events have included sporting events, consumer/trade shows, entertainment events, family shows and community events. The average amount of net revenue realized by the Alamodome from the more significant events has typically ranged from between \$35,000 - \$200,000 with an overall average of \$119,000.

MLS anticipates that of the remaining dates available in the Alamodome calendar, 10-15 additional events could be scheduled for the partnership annually throughout the term of the

agreement, and the net revenues from these incremental dates will be shared equally between the Alamodome and MLS.

Additional financial impact to the City includes estimated costs for the following capital improvements:

Alamodome Improvements:

TerraCover® System	\$1,115,000
Drapery System	\$ 150,000
Suite Finish-Out (14 @ \$75K)	\$1,050,000
Office Space	\$ 426,000
Total	\$2,741,000

MLS Practice Facility

Locker Rooms	
Conditioning Facilities	
Administration Offices	
Two High-Quality Soccer Fields	
Total	\$3.7 million


It is anticipated that these capital costs will be financed with the proceeds derived from the sale of certificates of obligation.

COORDINATION

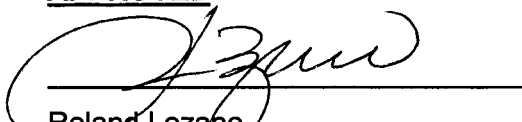
This item has been coordinated with the Mayor' Office, City Manager's Office, Alamodome Department and the Finance Department.

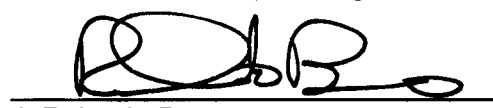
SUPPLEMENTAL INFORMATION

Prior to the April 14 City Council meeting staff will provide a draft copy of the Memorandum of Understanding and any additional information.


Michael Abington
Alamodome Director

APPROVED


Roland Lozano
Assistant to the City Manager


J. Rolando Bono
Interim City Manager

Mayor and Council
April 14, 2005

Attachment A
Season Ticket Campaign

At the time when a formal contractual agreement has been finalized, City will conduct, at its expense, a campaign designed to bring ticket sales with deposits to a minimum total number of 5,000. The MLS is agreeable to reimburse the City for 25% of the cost of this ticket campaign up to a maximum of \$25,000 conditioned on the right to participate in the design of the campaign and the allocation of the total budget amounts.

"Stage One" of this campaign has been conducted and produced 878 season tickets from 98 orders.

Coincident with the "timeline" outlined herein, it is contemplated that there would be a "Stage Two" effort to be conducted by City to:

Send a formal billing to these 98 accounts, which would require a 10% deposit and specific 30% remainder payment dates of September 1, November 1, 2005, and February 1, 2006. The 10% "deposit" funds would be placed in a neutrally (bank, etc.) controlled "lockbox" account from which the funds would be refunded in the event the campaign is not successful in reaching a total goal of 5,000 season tickets within a "Stage Two" time period of approximately 100 days.

"Stage Two" would have a goal of enlisting another 4,122 season tickets (making a total of 5,000 season tickets). This "Stage Two" portion would be conducted by a combination of the San Antonio Sports Foundation and the group known as the Soccer Advocates, and/or other civic sources, and all orders secured through this campaign would require a 10% deposit at the time arrangement would be used for these 10% deposits.

The contemplated date for this "Stage Two" campaign would be approximately May 10 to August 17, 2005. The City will appoint a representative to conduct this campaign and that person will coordinate with an MLS representative on the project lists, drafting, editing and billing forms and sales materials (letters and postcards, etc.). The MLS representative will be available at all times within a 48-hour response time so that this process will not be unnecessarily delayed.

Mayor and Council
April 14, 2005

**Attachment B
Ownership**

MLS has informed the City that one of the current MLS owners is seeking to sell its interest in its MLS to a local investor group that would continue to operate the MLS in the MLS's present market.

In the event that the MLS owner does not receive a commitment from such a local investor group before August 20, 2005, the MLS (subject to the satisfaction of the conditions set forth in the Memorandum) will relocate to San Antonio.

The commitment to relocate the MLS to San Antonio is further conditioned on the MLS's owner securing a commitment from area investors (who are approved by MLS) in San Antonio to purchase a minimum of 50% of the equity in the MLS.

At the time when this Memorandum of Understanding has been finalized, MLS and MLS with the assistance of the Office of the Mayor would plan to actively pursue such investors.

MLS obligation to award an expansion team to San Antonio will terminate if MLS is prepared to relocate the existing team described above, but has not received a commitment from local area investors by August 1, 2005 to purchase a minimum 50% of the equity in the team.

It is understood that this pursuit of potential investors will also involve an extensive effort to assist in the enlistment of corporate sponsorship revenue for the MLS.

In the event that a local buyer in the MLS's present market is secured before August 20, 2005, MLS will either cause another MLS team to relocate to San Antonio or award San Antonio an expansion MLS for the 2006 season provided the conditions specified herein are met.

In addition to the conditions set forth above, the commitment to award an expansion MLS to San Antonio is further subject to MLS securing a 100% commitment from an investor group before September 1, 2005 to become the Operator Investor for the San Antonio expansion MLS. As is customary the San Antonio expansion investor group will be subject to the approval of the Board of Governors of MLS. The San Antonio expansion investor group will enter into a long-form expansion agreement and agree to be bound by the Major League Soccer, L.L.C. Agreement.

The San Antonio expansion investor group will be expected to pay \$5 million for its equity interest in MLS and pay all annual capital calls and MLS and league related start up costs.

The San Antonio investor group will also be expected to pay \$5 million to purchase an equity interest in Soccer United Marketing, L.L.C.

In the event that the conditions in this Memorandum are not satisfied, the MLS shall have the right to withdraw from the proposed establishment of the San Antonio MLS.

Commitment by Major League Soccer – Assuming the conditions in this Memorandum have been satisfied, the MLS would make a firm commitment to establish a MLS in San Antonio in time for the 2006 MLS season.

**CITY OF SAN ANTONIO
INTERDEPARTMENTAL MEMORANDUM
ALAMODOME DEPARTMENT**

**ATTACHMENT ITEM
32**

TO: Mayor and City Council
FROM: Michael Abington, Director, Alamodome
SUBJECT: Major League Soccer Partnership Supplemental Information
DATE: April 14, 2005

In accordance with the proposed Memorandum of Understanding between Major League Soccer (MLS) and the City of San Antonio, of which a copy is attached for your review (Attachment 1). Described herein is a summary of the potential added revenues the Alamodome could realize from the relationship with MLS.

The MOU provides for a partnership between the Alamodome and the MLS team designed to generate additional events throughout the year, utilizing the available dates that are not part of the MLS 20 event days and the existing Alamodome events.

The following chart illustrates examples of the types of events that could be booked including number of use days and their financial implications as part of the partnership agreement. The numbers represent successful attendance levels and net revenues for similar events that have taken place at the Alamodome. The event types and attendance levels were created to illustrate an example of the potential partnership events. This chart represents available use days that do not necessitate the elimination of Alamodome events. The term "use days" means all days required for each event to include stadium conversion, event move-in day(s), event day(s), event move-out day(s) and cleaning.

Event	Attend.	Alamodome/MLS			
		Net Revenue	Partnership Split	Minimum Use Days	Maximum Use Days
Concert #1	15,000	\$86,549	\$43,275	2	4
Concert #2	15,000	\$86,549	\$43,275	2	4
Concert #3	18,000	\$120,780	\$60,390	2	4
Concert #4	19,000	\$126,495	\$63,247	2	4
Concert #5	20,000	\$132,606	\$66,303	2	4
Religious Event	20,000	\$90,765	\$45,383	2	4
Religious Event	25,000	\$99,251	\$49,625	2	4
Trade/Consumer Show	10,000	\$100,598	\$50,299	4	6
Trade/Consumer Show	10,000	\$100,598	\$50,299	4	6
Trade/Consumer Show	10,000	\$100,598	\$50,299	4	6
Soccer	25,000	\$148,799	\$74,400	2	7
Soccer	20,000	\$112,583	\$56,291	2	7
Soccer	15,000	\$87,310	\$43,655	2	7
Soccer	15,000	\$87,310	\$43,655	2	7
Soccer	10,000	\$62,038	\$31,019	2	7
Boxing	12,000	\$108,153	\$54,076	2	4
Arena Cross	18,000	\$80,901	\$40,450	4	7
Rodeo/Bull Riding	30,000	\$107,072	\$53,536	4	7
TOTAL	307,000	\$1,838,957	\$919,479		

MLS has projected 10-15 partnership events, which could afford the Alamodome the opportunity to receive approximately \$920,000 generated from events through the Partnership.

In any given year a typical event mix for the partnership could consist of any number of combination of events. For example two concerts, one religious event, two soccer events, one consumer show and one bull-riding event could generate approximately 135,000 in attendance and \$377,250 in net revenue to the Alamodome.

Event	Attendance	Event Net Revenue	Alamodome Share
Concert	15,000	\$86,500	\$43,250
Concert	20,000	\$132,500	\$66,250
Religious	20,000	\$91,000	\$45,500
Soccer	15,000	\$87,000	\$43,500
Soccer	25,000	\$150,000	\$75,000
Consumer Show	10,000	\$100,500	\$50,250
Bull-Riding	30,000	\$107,000	\$53,500
TOTAL	135,000	\$754,500	\$377,250

After fulfilling the required 20 MLS event days and the existing Alamodome event schedule, including all conversion days, the number of remaining use days for the partnership is summarized on the attached chart (Attachment 2) for the years 2006-2010. The availability of these dates takes into consideration the efficiencies in facility conversions through the use of the TerraCover® system, which will in many cases avoid the necessity of removing the turf in order to stage another event.

The Memorandum of Understanding provides that the Alamodome and MLS develop an appropriate and productive operating format for the partnership, including coordinated efforts in the areas of event development, scheduling, marketing and production. The number and types of events, attendance levels and projected net revenue from are based on the following assumptions:

- Assumes maximum contribution by each partner to the development and acquisition of partnership events.
- Assumes dates for potential events are available.
- Assumes the concert industry will rebound from the past four years and the number of concerts will increase.
- The projected net revenue for concerts, trade/consumer shows and religious speakers is contingent upon the popularity, demand and content of the event booked.

Date selection for touring events is rare, if ever, under the control of either the Alamodome or MLS. The event promoter establishes the preferred dates and if a particular date is available, the Alamodome may get the event. If the date is not available, the promoter may choose another venue or city.

In summary, based on the MOU, the Alamodome has the opportunity to achieve the following potential revenues.

ADVERTISING

MLS has projected sales of approximately \$1 million which the Alamodome will receive 5% or \$50,000 annually.

NAMING RIGHTS


MLS projects naming rights revenue of approximately \$1 million annually which the Alamodome will receive a minimum of 20% or \$200,000.

Total potential added revenue to the Alamodome would be approximately \$1,170,000 annually.



Michael Abington
Alamodome Director

APPROVED



Roland A. Lozano
Assistant to the City Manager



J. Rolando Bono
Interim City Manager

Attachment I

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MEMORANDUM OF UNDERSTANDING

City of San Antonio

and

Major League Soccer

For the establishment of an MLS team in San Antonio to be active for the 2006 season.

April 13, 2005

Basic terms of Agreement for location of a Major League Soccer ("MLS") team ("Team") in San Antonio beginning with the 2006 MLS season.

MLS will locate a team in San Antonio to play their games in the City of San Antonio ("City") entertainment facility known and the Alamodome ("Stadium").

Pending the negotiation and execution of a formal contractual agreement. It is understood that this document may not cover all elements of a contractual agreement, and may be amended during the course of further discussions.

The basic understanding is to encompass these points:

1. The commitment process will come through MLS through their Commissioner Don Garber with the structure to be a part of planned MLS growth in number of teams. The public MLS statement will be a firm commitment for a San Antonio team either through expansion or the move of an existing team, subject to the conditions set forth in the Memorandum. In either event, the commitment would be conditioned on the successful completion of an approximate 100-day ticket campaign with deposits for a minimum of 5,000 season tickets. The City is:
 - a) To provide a quality practice facility at another area with a year-round locker room, conditioning facilities and two dedicated high-quality fields for the MLS Team. It is understood that for the 2006 season only the Team would be agreeable to practice in temporary facilities with a first-class grass field at a local controlled access site to be provided by the City.
 - b) To provide a finish out of the existing "drapery system" in the upper deck at the Stadium, which will complete the South end in the same fashion as the existing draping.
 - c) To provide finish out of existing unfinished office space for the Team on the East side of the Stadium. A currently vacant area encompasses approximately 7,107 square feet of unfinished space. This finish out would include basic utilities, walls, lighting and painting with the Team to pay cost of furniture and decoration. Team will reimburse Stadium for pre-agreed standard utility costs (as calculated by the City of San Antonio Asset Management Department) and telecommunications services, which shall be provided by Stadium.
 - d) To provide the build out and finish of 14 additional suites on the two sidelines, bringing the total to 52. In addition, the City would use all best efforts to complete the club level area in the south end zone with a configuration of "party suites" suitable for the Team to market to businesses on a game-by-game basis and for the Stadium to market in the same fashion for their assortment of other events in the facility.

- e) To provide a rent-free lease with the understanding that the team would pay pre-approved direct game day staffing costs and the cost of actual field installation (in and out) and a minimal utility cost allowance. As has been previously discussed, this utility cost allowance will be approximately \$1,500 per event for a four-hour soccer game – two hours for the game and one and one-half hours before the game and one-half hour after the game. All staffing would be based on actual operational needs and would be at normal billing rates. Field costs would be at actual costs. The intention is that the City would not be burdened with any extra costs because of the use of the stadium by the Team, nor would the Team be expected to pay more than the actual costs.
- 2. The Team would retain all revenue from ticket sales and temporary field signage and would receive all net revenue from the parking, merchandise, novelties and concessions for their events at the stadium. Regarding the concessions, Team and City would discuss with the concessionaire the alteration of the contract terms such that they can be more favorable to the City and the Team. Team shall be a participant with City in the negotiation of any future concession contracts.
- 3. The Team would project to play approximately 20 home games per year, which would include:
 - 16 regular season games - with at least 14 dates occurring on weekends and at least 13 on Saturdays.
 - 2 Potential Playoff Games
 - 2 "Special Event" games

These "Special Event" games would be expected to include Pre-Season Games, U.S. Open Cup Games, miscellaneous Cup competitions for which the Team may qualify and International games. Because of the uncertain nature of qualifying for and being selected for home dates for some of these competitions, it may be that more/less than the 20 dates may be required in any given year in which case the number of events may fluctuate from season to season with one (1) "make up" game allowed to be carried into the following year. In this event the schedule of the Team events could include 19 events in one year and 21 in the following year, but always limited to an average of 20 events over any two-year period.

The Stadium will provide to MLS, no later than December 15 of each year, no fewer than eighteen (18) dates, which would consist of sixteen (16) dates for MLS regular season games, dates for MLS Pre-Season Games, U.S. Open Cup games, International games and two (2) dates reserved for potential MLS post season playoff games. The playoff dates would be reserved in the appropriately needed dates in late October and early November. All best efforts would be made by the Stadium to provide the sixteen (16) dates as reasonably balanced as possible throughout the MLS regular season period.

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The actual Special Event days, if not submitted to Stadium by December 15, may be subject to date availability at the Alamodome. For example, if the date requested for a Special Event is already contracted as a Stadium Event or a Partnership Date, then the date will not be available to the Team. However, Stadium will use best efforts to work with the Team to find an acceptable alternative date if requested by the Team.

Team will reimburse the Stadium for the total cost and expense of staging these games, including but not limited to, game day expenses with an assurance that staffing levels will be kept as low as prudently feasible, Stadium conversions if needed and the \$1,500 charge for utilities will also be included. All staffing will be subject to pre-agreement by Team and will be billed at actual normal cost. The intention is that neither the City nor the Team will be burdened with any extra costs not reasonably necessary for these events.

In order to facilitate and maximize available event dates, the City has agreed to purchase a turf cover system to cover the artificial turf when needed. The cost of installation and removal of the turf cover specifically for MLS games shall be regarded as an event expense. It is anticipated that this turf cover system will substantially increase the number of potential available dates for scheduling a full variety of extra Stadium event dates.

4. The Team would be provided the opportunity to exclusively market the following assets at the stadium under the following financial arrangements:

- Suites, Club Level and Party Areas

Team would retain all revenue generated from their soccer events and Stadium would retain all revenue from their events. In the event the City desires for Team to market suites for any other events, it shall be done on terms to be mutually agreeable to both parties. Revenue from Partnership Events (see paragraph 6. below) would be shared equally.

- Advertising

Team will assume the exclusive sales position for all permanent interior and exterior Stadium signage. The Stadium will retain all revenues derived from its existing signage until such time as those agreements, plus any existing extensions, have expired. Thereafter, Team will pay to the Stadium an annual amount equal to the revenues derived from existing Stadium signage at the time of execution of a formal contractual agreement, plus 5% of the net revenues derived from Team sales of other Stadium signage, after Team marketing and performance costs have been deducted. On the execution of this agreement, Stadium will provide Team all pertinent details of all existing signage contracts. In calculating the net revenue Team and Stadium will mutually agree to the amount of marketing and performance costs to be deducted.

Team understands that certain national or international events may require that all or a portion of the stadium advertising be covered. Team agrees to include this as a requirement in all advertising contracts.

▪ Stadium and Practice Facility Naming Rights

The City acknowledges that the Team will have the lead role and responsibility to direct the marketing activities for the Naming Rights of the "Alamodome" and the practice facility. If the sale of the Naming Rights is successful then the Team will pay to the Stadium an amount equal to 20% of the net revenue (after mutually agreed applicable costs) derived therefrom. Any name associated with the "Alamodome" will be subject to San Antonio City Council approval, and will include in said name the term "Alamodome".

If a Naming Rights contract is finalized with assistance of the Office of the Mayor through a lead generation by December 31, 2006, the Stadium share of the net will increase to 30%. In either event, the Stadium and Team percentages of the net revenue shall be shared throughout the life of those agreements.

Team will reimburse, on an on-going basis, any and all reasonable out-of-pocket costs incurred by Alamodome, or its clients, partners or stake holders, associated with the fulfillment of any naming rights program.

Stadium has informed Team that certain events at the Stadium may from time to time require the covering of certain signage for those individual events. In no event would that requirement apply to a Naming Rights sponsor.

5. Stadium Events

The Stadium will retain its existing schedule of events, which may be amended from time to time, and retain all net revenues derived therefrom. "Existing schedule" is defined as those events existing in the calendar as now contracted, committed or work in progress. It is understood that the Stadium has other "work in progress" negotiations on other events, which may be added to their schedule as contracts are finalized. A full list of the contracted, committed and work in progress events will be submitted to Team prior to finalization of formal contract.

Except for the guarantee to Team of a minimum of eighteen (18) reasonably acceptable dates for their league schedule if at any time, in order to accommodate the scheduling of MLS or Team games, it becomes necessary to eliminate any contracted events from the existing Stadium schedule, MLS or Team as appropriate will pay to the Stadium any and all lost revenue that would have been earned from these events.

Stadium Events shall also include the following: (1) conventions and high school events (sports and graduation), whether currently scheduled or contracted at any time during the term of the agreement or any extensions (which convention and high school scheduling will include all best efforts by Stadium to provide a balanced MLS schedule); (2) any events associated with the various Olympic Sports, whether currently scheduled or contracted at any time during the term of the agreement or any extensions; and (3) any collegiate events including NCAA, conference or exhibition events, whether currently scheduled or contracted at any time during the term of the agreement or any extensions.

6. Partnership

All other available dates will be regarded as joint venture or Partnership Dates. Utilizing their respective and combined staff resources, Team and the Stadium will work together to coordinate the booking, negotiating, marketing and execution of events occurring on these dates and share, on an equal basis, the net revenues derived therefrom. Net revenues do not include the \$0.50 Facility Access Fee and \$0.50 R & I Fee for Partnership Dates only. Such fees, if applicable to these Partnership Dates, will be retained solely by the Stadium. These events may include, but not be limited to, any and all other soccer matches or events, whether international, domestic, professional or amateur, concerts and entertainment events (excluding MLS or Team games). Team and Stadium will, by mutual agreement, develop an appropriate and productive operating format for the partnership. In the negotiation of any soccer events with outside parties, MLS and/or Team will be the exclusive partnership representative, but will include the Stadium in any and all information regarding matters relating to these events, including but not limited to, negotiations, meetings, correspondence and contracts. It is understood that the City may from time to time bring the availability of other soccer events to the attention of the Team; however the Team may at its sole election decide to not put on such events.

During the evaluation period of these individual Partnership Dates an appropriate promotional, rental and operational budget shall be developed as well as a potential profit/loss projection for each event taking into consideration the projected paid attendance.

In the event only one party elects to proceed with the event any gain or loss from that event shall be applicable to that party. During the evaluation period of these Partnership Dates either party may elect to not participate in the event, in which case the remaining partner (either Team or Stadium) may proceed to hold such event under guidelines to be agreed at a later date.

7. Term

The initial term of the lease will be five (5) years, with four (4) additional five-year extensions. The first extension shall be at the option of Team and shall be on the same terms as the initial five-year period. The terms of any future five-year extension shall be as agreed between the City and Team, which terms shall be negotiated to a mutual agreement in the period of the 7th to 8th year, the 12th to 13th year and the 17th to 18th year of the overall lease (i.e., culminating in each time frame at least two (2) years in advance of the next renewal option).

In the event the Team were for any reason to withdraw from the lease during the first five-year period it will reimburse the Stadium for a proportionate part of the expenditures made by the Stadium on the Office Space (i.e., 20% reimbursement if one year remains, etc.)

8. Facility Maintenance

All maintenance and repairs for the Stadium shall be the obligation of the City.

No Ticket Access Fees will be charged for MLS or Team events.

9. Practices/Tryouts

Stadium shall use best reasonable efforts to make the Stadium available to the Team for occasional tryouts and/or practices as needed by the Team during the MLS pre-season, regular season and post season. Team agrees to reimburse Stadium for any and all pre-agreed costs associated with such practices/tryouts.

10. Playing Surface

Stadium shall provide a playing surface of a quality commensurate with its existing "SportField" surface. Stadium shall use its best efforts to provide the field to Team with no markings or logos other than the logo(s) of Stadium and standard soccer lines or other markings or logos requested by Team. MLS or Team approval of the Stadium playing field shall not be unreasonably withheld. Per FIFA regulations, no decorations or stadium names may be placed inside the field playing surface.

11. Ticket Sales

Stadium will make available the normal appropriate, well located, Box Office for use by Team for individual game ticket sales. Such availability will include normal single game ticket sales and Will Call on game days. Team will pay the cost of staffing of this Box Office for their events.

It is understood that the existing Stadium TicketMaster contract has an upcoming expiration and/or extension date. Regarding this contract Team and Stadium shall jointly discuss with TicketMaster alternatives to the contract terms such that they can be more practical and favorable to the Stadium and the Team. Team shall be a participant with Stadium in the negotiation of any future ticket sales mechanism contract which may directly effect Team.

12. Broadcast Rights

MLS and/or Team shall retain 100% of any broadcast rights to all MLS and Team games. Broadcast revenues applicable to the Team for other soccer events, if any, will be shared per the Partnership agreement.

13. Telecommunications

Team shall be responsible for pre-agreed cost of all telephone, broadcast support and audio/visual equipment services, permanent or game day, which shall be provided by the Stadium.

14. Locker Rooms and Facilities

Team may utilize Stadium locker room space on a non-exclusive basis, sufficient to reasonably accommodate Team operations for both the home and visiting teams.

Miscellaneous

A. Ticket Campaign – At the time when a lease has been finalized, City will conduct, at their expense, a campaign designed to bring ticket sales with deposits to a minimum total number of 5,000. The Team is agreeable to reimburse the City for 25% of the cost of this ticket campaign up to a maximum of \$25,000 conditioned on the right to participate in the design of the campaign and the allocation of the total budget amounts.

“Stage One” of this campaign has been conducted and produced 878 season tickets from 98 orders.

Coincident with the “timeline” outlined herein, it is contemplated that there would be a “Stage Two” effort to be conducted by City to:

- i) Send a formal billing to these 98 accounts, which would require a 10% deposit and specific 30% remainder payment dates of September 1, November 1, 2005, and February 1, 2006. The 10% “deposit” funds would be placed in a neutrally (bank, etc.) controlled “lockbox” account from which the funds would be refunded in the event the campaign is not successful in reaching a total goal of 5,000 season tickets within a “Stage Two” time period of approximately 100 days.

- ii) "Stage Two" would have a goal of enlisting another 4,122 season tickets (making a total of 5,000 season tickets). This "Stage Two" portion would be conducted by a combination of the San Antonio Sports Foundation and the group known as the Soccer Advocates, and/or other civic sources, and all orders secured through this campaign would require a 10% deposit at the time the order is made and a 3 x 30% payment schedule. A similar "lockbox" arrangement would be used for these 10% deposits.

The contemplated date for this "Stage Two" campaign would be approximately May 10 to August 17, 2005.

The City will appoint a representative to conduct this campaign and that person will coordinate with an MLS representative on the project lists, drafting, editing and billing forms and sales materials (letters and postcards, etc.). The MLS representative will be available at all times within a 48-hour response time so that this process will not be unnecessarily delayed.

- B. Ownership – MLS has informed the City that certain MLS owners are seeking to sell their interest in their MLS teams to new investor groups that would continue to operate the teams in the teams' present markets.

In the event that these MLS owners do not receive a commitment from such new investor groups before August 20, 2005, one of the teams (subject to the satisfaction of the conditions set forth in the Memorandum) will relocate to San Antonio.

The commitment to relocate a team to San Antonio is further conditioned on the team's owner securing a commitment from area investors (who are approved by MLS) in San Antonio to purchase a minimum of 50% of the equity in the team.

At the time when this Memorandum of Understanding has been finalized, MLS with the assistance of the Office of the Mayor would plan to actively pursue such investors.

It is understood that this pursuit of potential investors will also involve an extensive effort to assist in the enlistment of corporate sponsorship revenue for the Team.

In the event that a new buyer in these teams present markets are secured before August 20, 2005, MLS will either cause another MLS team to relocate to San Antonio or award San Antonio an expansion team for the 2006 season provided the conditions specified herein are met.

MLS' obligation to award an expansion team to San Antonio will terminate if MLS is prepared to relocate an existing team as described above, but has not received a commitment from area investors by August 20, 2005 to purchase a minimum 50% of the equity in the team.

In addition to the conditions set forth above, the commitment to award an expansion team to San Antonio is further subject to MLS securing a 100% commitment from an investor group before September 1, 2005 to become the Operator Investor for the San Antonio expansion team.

As is customary the San Antonio expansion investor group will be subject to the approval of the Board of Governors of MLS. The San Antonio expansion investor group will enter into a long-form expansion agreement and agree to be bound by the Major League Soccer, L.L.C. Agreement.

The San Antonio expansion investor group will be expected to pay the 2006 expansion price for its equity interest in MLS and associated operating agreement and pay all annual capital calls and team and league related start up costs.

The San Antonio investor group will also be expected to pay the 2006 price to purchase an equity interest in Soccer United Marketing, L.L.C.

- C. In the event that the conditions in this Memorandum are not satisfied, the MLS shall have the right to withdraw from the proposed establishment of the San Antonio team.
- D. Commitment by Major League Soccer – Assuming the conditions in this Memorandum have been satisfied, the MLS would make a firm commitment to establish a team in San Antonio in time for the 2006 MLS season. A specific date for that announcement is to be determined, but at any respect it would be after paragraphs A. and B. above have been satisfied.
- E. After the end of the “Stage Two” ticket campaign (August 17 as contemplated herein) the Team would plan to have a full-time sponsor sales representative on hand in San Antonio, and would also plan to conduct a continuing ticket campaign (“Stage Three”) focusing on adding a substantial number of additional ticket sales by the April 1, 2006 start of the MLS season.
- F. The full establishment of a San Antonio team would be effective no later than the conclusion of the 2005 MLS season (mid-November).
- G. Team agrees to enlist local and/or regional assistance and input to establish team name, branding, colors, etc. to achieve synergy with the history, culture and geographical ties to San Antonio and the South Texas region.

- H. In the event the City elects at some future time to develop all or a portion of its land adjacent to the Stadium the Team would have a first option to be the developer on a right of first refusal basis. The development rights could include, by example, a favorable long-term ground lease, tax abatements, assistance in building adjoining structure parking for the benefit of the City, Stadium and Team or other to be agreed arrangements.
- I. This Memorandum of Understanding is not a binding agreement and no party shall be bound prior to the execution of a long-form agreement concerning the matters discussed in this Memorandum.
- J. In the event a substantial interest in the Team is sold, Team will keep the City apprised of that process and City will not unreasonably restrict such sales effort by the Team.

END

DRAFT

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ACKNOWLEDGED AND AGREED

City of San Antonio

Signature

Title

Date

Major League Soccer

Signature

Title

Date

Attachment 2

The following chart illustrates the relative availability of dates between the years of 2006-2010.

	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL
2006													
WEEKDAYS	1	1	9	8	12	5	1	12	0	7	9	7	72
WEEKEND DAYS	0	2	4	0	0	0	0	0	0	0	0	0	6
2007													
WEEKDAYS	1	1	2	4	11	1	2	13	0	7	6	3	51
WEEKEND DAYS	0	2	1	0	0	2	0	0	0	0	0	0	5
2008													
WEEKDAYS	1	2	5	8	13	1	0	8	6	0	9	8	61
WEEKEND DAYS	0	2	2	2	0	0	0	0	0	0	1	0	7
2009													
WEEKDAYS	3	2	5	8	12	13	4	13	6	14	7	7	94
WEEKEND DAYS	0	2	1	0	1	0	0	0	1	2	0	0	7
2010													
WEEKDAYS	0	2	5	4	12	5	4	15	8	10	8	6	79
WEEKEND DAYS	0	2	3	0	0	0	0	0	0	0	0	0	5

(Weekend Days: Fri., Sat., Sun.)